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14 February 1954

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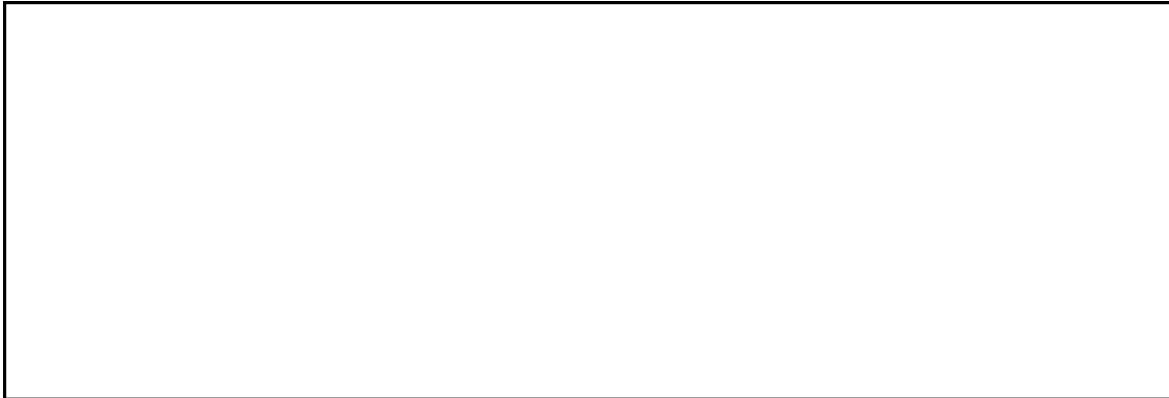
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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GENERAL

1. Bidault believes Soviet weakness in Germany prevents agreement on unity:
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According to Foreign Minister Bidault, the Western powers were wise to adopt the position that a future German provisional government should be free to assume whatever obligations of the two present regimes

it chose, since the weakness of the Soviet position in Germany prevents Molotov from agreeing to this proposal. Molotov, he said, could not "sacrifice to the cause of German unification" the weak Soviet position in East Germany, which would be demonstrated and confirmed by free elections.

Bidault added that the exposure of the insecure Soviet position might eventually have repercussions throughout the Satellites. He described the present situation in East Germany as one born of the tensions that have "developed during the preceding years between the German population and the Soviet occupation," about which the conference can do nothing.

Comment: Bidault's analysis of the Soviet dilemma supports the belief that the Kremlin's maneuverability on the German issue is strictly circumscribed by the inherent weakness of the USSR's position in Eastern Europe.

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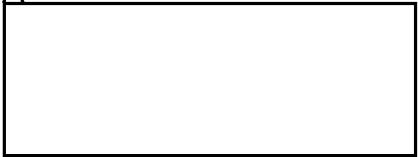
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FAR EAST

3. Civilian exchange program in Korea may break down:

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In its first reference to the plan for an exchange of displaced civilians on 1 March, the North Korean radio on 11 February stated that "there are hardly any" South

Koreans in the north, but there are "a number" of North Koreans in the south.

The American embassy in Seoul comments that the Communists are apparently laying the groundwork for a propaganda attack on the UN Command and the Rhee government for the small number to be returned north. The broadcast also suggests that the Communists intend to deliver only a few South Koreans in exchange.

Comment: Seoul officials have talked of the return of 200,000 South Koreans from the north, while stating that only 2,000 of the 800,000 North Koreans now in the south desire to return. It is probable that refugees on both sides fear retaliation if they register for repatriation.

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There is a strong possibility that the program will break down amid mutual recriminations, and thus provide the Rhee government with another occasion to discredit the belief that Korean unification can be achieved through political negotiations.

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SOUTHEAST ASIA

4. Viet Minh to "threaten" Luang Prabang and force withdrawal at Dien Bien Phu:

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On 12 February Cogny told the American consul in Hanoi that he believes the bulk of the Viet Minh 312th and 316th Divisions was still in the Dien Bien Phu area, and that only the 308th Division, with some slight reinforcement, had moved into northern Laos. He also stated that it is not clear whether the enemy plans a major attack against Luang Prabang or only a feint.

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Comment: A prime objective of the Viet Minh during the current campaign is undoubtedly to bring about the dispersal and immobilization of French troops, which would enable it to expand its territorial gains and prevent the French from taking the offensive.

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5. Templer cool to Korean proposal of Asian anti-Communist alliance:
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Sir Gerald Templer, the British high commissioner in Malaya, informed the American consul in Kuala Lumpur that South Korean general Choi, now touring Southeast Asia in the interests of an Asian anti-Communist alliance, would be "hand-shaken and talked to" when he arrived in Malaya, but would be advised to refer any proposals to the Foreign Office in London.

The consulate believes that in addition to the usual British reservations regarding a possible Rhee-Chiang partnership, Templer has little confidence in any alliance primarily dependent on Asian military forces, of which he holds a low opinion.

Comment: The American embassies in Rangoon and Djakarta both report that it is extremely unlikely that either Burma or Indonesia would participate in any regional undertaking which was clearly anti-Communist, particularly if Rhee and Chiang were involved.

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6. India and Burma attempt to conceal true price in rice deal:
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The American embassy in New Delhi reports that the price India is paying Burma for the 600,000 long tons of rice it recently purchased will be announced as identical with that paid by Japan and Ceylon, but actually will be less.

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Comment: Japan and Ceylon are the only two countries to have made firm commitments for substantial purchases from Burma's large 1954 rice crop, and both have most-favored-nation agreements covering prices. India's purchase involves Burma's carryover stock, much of which is in poor condition, but its price is 30 percent less than that paid by the other two countries.

Should Japan and Ceylon discover this subterfuge, as is probable, and choose to retaliate by holding out for better terms, Burma's surplus problem may again become acute.

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25X1A 8. Egyptian vice premier expects to quash Soviet offer of aid:

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Vice

Premier Nasr believes the USSR is insincere
in its reported willingness to provide financial
and technical assistance if Egypt requests it.

Nasr, on his part, will suggest that the USSR
send Egypt a letter formally offering such aid. He is not interested
in receiving Russian help because of its political implications, and
thinks his reply will end the matter.

Comment: Nasr's attitude may constitute
a major obstacle to an Egyptian-Soviet deal. The Soviet Union has
recently offered economic assistance to several Middle Eastern
and South Asian nations. It is unlikely that any Soviet aid would be
sufficient to finance more than a small part of the projects Egypt
has planned, including a high dam at Aswan and other major works.

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